

Rochester Financial Services

Fee-Only* Financial Management Services

Jeffrey Feldman Ph.D., CFP
Certified Financial Planner
Principal

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Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Gold	Crude Oil
27,480	3,367	11,161	1,614	0.88%	4.76%	\$1,907	\$37.76



Investment Strategy Report

Markets Sport A Pre-Election Rally As We Await The Results

For months (years) now investors have been awaiting (dreading) this day. While just about everyone has a view as to who they want to be their next president, the big question for investors is, who does the market want to win? Will a Trump victory, with his pro-business policies, keep the bull market chugging along? Or will a return to normalcy, with a Biden win, be a prescription for less volatility. After another down month for the markets in October, the stock market has begun November with 2 strong positive performances. The Dow has tacked on almost 1,000 points in these first 2 sessions, and as usual, it's hard to understand why. Is the market trying to tell us something?

That something might turn out to be a big resounding, anti-climatic, "who cares who wins?". Wouldn't that be something. I have been hearing from a number of pundits that yes, if Trump is re-elected, his policies of low taxes and less regulation are good for the markets. But with a Biden win, we might be in store for a larger stimulus package and bigger spending plans that might also be good for the economy. And regardless of who wins, the Federal Reserve will still be there, continuing to pump tons of money into the system.

Louis Navellier (BlueChipGrowth.com) came out with a note earlier today to address today's market surge. He began by saying that this could be a relief rally, a rally celebrating the final end to the combative election season. But more than that, he goes on to state that there is still a lot of cash on the sidelines, and the action of the last 2 days might be a sign that investors, who had been waiting until after the election to put the cash back into the market, want to get a jump start and not miss out on any post-election rallies.

But his most compelling argument for why this market could move higher is that 3rd quarter corporate earnings results have been "stunning". "According to Factset, as of last Friday, 86% of the S&P 500 companies have posted an earnings surprise and 81% have topped analysts' expectations". "And I don't expect this earnings party to stop anytime soon. Due to easy year-over-year comparisons and the V-shaped economic recovery, I look for two more phenomenal earnings seasons"(January and April 2021). In a note yesterday, he talked about the strong economic data released. "For October, the ISM index reported a reading of 59.3, topping economists' expectations for a reading of 55.8. New orders jumped to 67.9, which also represents the highest reading in almost 17 years".

Mark Skousen (Forecasts & Strategies, 10/12) states that "Consumers are buying houses, cars and durable goods, a sign that they are financially secure and optimistic about the future. Capital goods orders are at the highest level since 2018. These investments in the future show that corporations are optimistic about the economy".

Steve Sjuggerud (StansberryResearch.com) also believes that cash can come pouring back into the market to drive prices higher. He points to the Bank of America Merrill Lynch Fund Managers Survey which shows that cash levels held by investment professionals are falling. "Investment pros are holding less cash and diving into the market headfirst. This is the exact kind of mentality that can drive stock prices higher in the coming months. And it tells me this bull market has plenty of room to run."

And finally for some technical analysis, Greg Diamond (StansberryResearch, Ten Stock Trader) points out that "As long as copper is rising, the economy is in good shape. And right now, despite the negativity and uncertainty of some major market events unfolding, copper's price action is not only strong, but signaling MORE upside. And "A breakout in copper will lead to higher stock prices!"

And so while we all have had our eyes on the elections these past months, it all might have been for naught. Now it's time to watch the results! *Jeff Feldman*

Tel: 585 / 442-7580
Fax: 585 / 351-2458
Email: jmfeld@aol.com

7 Hastings Circle, Pittsford, NY 14534
<http://www.rochesterfinancial.com>

